

## The Glass Remains Half Full...For Now

We have been watching the S&P 500 as it battles to reclaim its 50-day moving average. Last week ended with the index settling just below it. Weekly closes are more important than daily closes when it comes to technical analysis. The late selling on Friday was likely the result of President Trump's COVID-19 diagnosis coming to light. Nevertheless, investors could not close the deal. On a positive front, we did finish higher overall for the week after four straight weekly declines. We are also seeing some outperformance by small- and mid-cap stocks. It is a very good sign that something other than giant tech companies are getting some buying attention. We absolutely need participation from other areas of the market for the current rally to gather some steam. I continue to remain hopeful that financials and energy can join the game. It is imperative that we see some strength in the banks. Energy of course is a proxy for many areas of growth.

Interest rates across the yield curve remain rangebound but are creeping up toward a breakout. The 10-year yield is currently at 75 basis points. A break above 80 basis points would be strong evidence that there is demand-side growth out there, as well as some healthy inflation. Higher rates would undoubtedly help banks. Look for the 10-year Treasury note to break out in the days or weeks prior to major U.S. indices regaining their footing for an attempt at new highs.

Lastly, we are now kicking off earnings season. Earnings will have the final say about all this. We will see if analysts got it right when they increased aggregated S&P 500 earnings predictions by 4.1% between the end of June and now. According to FactSet, this is the first quarterly increase in estimated EPS since the second quarter of 2018. Before we get too excited about it, those same analysts are still predicting a 21% year-over-year decline in earnings overall.

In my view, the glass remains half full - even for an optimist like me. Expect volatility to continue and rely on your process. The next few weeks might make you glad you have one.

Last week's market commentary can be found [here](#).



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